

COFFEY COUNTY AIRPORT AUTHORITY

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditors

For the Year Ended December 31, 2012

Coffey County Airport Authority
Special Financial Statements
For the Year Ending December 31, 2012

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SCHLOTTERBECK AND BURNS, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
702 WEST MAIN *** P.O.BOX 832
CHANUTE, KANSAS 66720

PHONE (620) 431-3410
FAX (620) 431-7719

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INDEPENDENT AUDITORS' REPORT

Coffey County Airport Authority
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Airport Authority, Burlington, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Coffey County Airport Authority, Burlington, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Airport Authority, Burlington, Kansas, as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Coffey County Airport Authority, Burlington, Kansas, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Analysis

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated May 15, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

Restricted Use

This report is intended solely for the information and use of the governing body and management of Coffey County Airport Authority, and for filing with the , the Kansas Department of Administration, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlotterbeck and Burns, LLC

December 31, 2013

Coffey County Airport Authority
Burlington, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2012

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Plus: Accounts Payable and Encumbrances</u>	<u>Ending Cash Balance</u>
General Fund	\$ 76,544	789,364	767,417	98,491	89,837	188,328
Total	<u>76,544</u>	<u>789,364</u>	<u>767,417</u>	<u>98,491</u>	<u>89,837</u>	<u>188,328</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 188,075
Cash on Hand	253
Total Composition of Cash	<u>188,328</u>

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2012

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Airport Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Airport Authority as a primary government unit, with no component units.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Airport Authority for the year ending December 31, 2012:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Airport Authority are not recorded.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2012

D. Budget and Tax Cycle:

The Airport Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Airport Authority. The Coffey County Commissioners hold the taxing authority for the Airport Authority. The Airport Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Statement 2 and 3 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Airport Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Airport Authority. The statute requires banks eligible to hold the Airport Authority's funds have a main or branch bank in the county in which the Airport Authority is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

K.S.A. 12-1675 allows the Airport Authority to invest idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Airport Authority held no investments at December 31, 2012 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Airport Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Airport Authority's deposits may not be returned to it. State statutes require the Airport Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Airport Authority has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Airport Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2012

At December 31, 2012, the carrying amount of the Airport Authority's deposits was \$188,832 and the bank balance was \$191,475. Of the bank balance, \$191,475 was covered by federal depository insurance.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Note 2 **Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 3 **Detail Notes on All Funds and Account Groups**

A. Assets:

General Fixed Assets

The accounting and reporting treatment used for property and equipment under the cash basis and budget laws of Kansas require that property and equipment be recorded as an expenditure during the year of purchase. Coffey County Airport maintains an internal list of property and equipment, and periodically inspects the equipment listed to verify its existence.

B. Liabilities:

Vacation and Sick Leave Liability

The Airport Authority's policy regarding sick leave allows for eligible employees to accumulate 40 hours unused sick leave per year with no accumulation limit. Employees who discontinue employment with a two week notice will be compensated in full for any unused sick time up to six hundred hours.

The Airport Authority's policy regarding accumulated vacation time disallows any accumulation beyond each date of service anniversary.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2012

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the airport authority allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the airport authority is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Note 4 **Economic Dependency**

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Airport Authority. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for in excess of 83% of Coffey County's total assessed valuation. The tax appropriation which the Airport Authority receives from the County is levied on this assessed valuation.

Coffey County Airport Authority
 Burlington, Kansas
 Statement of Expenditures - Actual and Budget
For the Year Ended December 31, 2012

Schedule 1

Fund	Adopted Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 651,000	767,418	(116,418)
Budget Credit - State and Federal Financial Assistance	<u>67,207</u>	<u> </u>	<u>67,207</u>
Adjusted Budget Comparison	<u><u>718,207</u></u>	<u><u>767,418</u></u>	<u><u>(49,211)</u></u>

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas
Statement of Cash Receipts and Expenditures-Actual Budget
For the Year Ended December 31, 2012

Schedule 2

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Favorable (Unfavorable)
<u>General Fund</u>				
Cash Receipts:				
County Appropriation	\$ 240,000	240,000	240,000	0
Operations Receipts	401,376	392,153	426,000	(33,847)
Interest Income	193	212		212
Rental Income	37,775	35,366		35,366
County Scholarship Reimbursement	8,125			0
Miscellaneous				0
Total Cash Receipts	687,469	667,731	666,000	1,731
Expenditures:				
Personal Services				
Salaries and Employee Benefits	208,612	258,633	213,000	(45,633)
Contractual Services			242,000	242,000
Advertising		3,494		
Utilities	27,707	25,678		(25,678)
Repairs	10,584	5,295		(5,295)
Insurance	70,504	58,700		(58,700)
Legal and Accounting	5,519	9,072		(9,072)
Total Contractual Services	114,314	102,239	242,000	139,761
Commodities			166,000	166,000
Inventory Purchases - Fuel and Merchandise	344,955	270,929		(270,929)
Airport Fuel Usage		16,982		
Supplies and Other Expenses	20,637	23,091		(23,091)
Total Commodities	365,592	311,002	166,000	(128,020)
Capital Outlay/ Special Expenditures	827	53,078	30,000	(23,078)
Total Operating Expenditures	689,345	724,952	651,000	(73,952)
Non-Operating Revenue				
Insurance Proceeds	15,971	2,500		
Runway Project - County Matching Funds		51,926		
Federal Grants	833,114	67,207		
Total Non-Operating Revenue	849,085	121,633		
Non-Operating Expenditures				
Taxiway Improvement Project	104,992	42,465		
Building Repair - Storm Damage - Ins. Proceeds	15,671			
Total Non-Operating Expenditures	120,663	42,465		
Receipts Over (Under) Expenditures	726,546	21,947		
Unencumbered Cash, Beginning	(650,002)	76,544		
Unencumbered Cash, Ending	76,544	98,491		

See accompanying notes to financial statements